

STATE BOARD OF EQUALIZATION

OFFICE CORRESPONDENCE

215.0440

Sacramento
August 22, 1958

To: Los Angeles – Review (PER)

From: Headquarters – Sales Tax Counsel

Re: R--- P---
W--- W--- A--- I---, Inc.
XXXX --- ---
--- ---, California

-- - XXXXX

Under the date of June 19 you wrote a letter to the above named, stating that the withdrawal from stock of an automobile for the purpose of entering it in an amateur auto race could not be considered to be a nontaxable withdrawal on the theory that the use was within demonstration and display.

That may well be true in Mr. P---'s case. We have, however, written letters to the effect that if the sole purpose of entering a vehicle in a race is to demonstrate its capabilities, such use may be regarded as falling within the scope of demonstration or display. Possibly none of these letters were written to taxpayers in your district. We shall see to it that they come out in the next issue of the Index and Digest.

This question originally arose in connection with a retailer of boats in the E district. He insisted that it was essential to selling boats that he enter them in races to demonstrate their capabilities. The same argument was made by a motor car dealer in some other district with respect to entering a sports car in a drag-strip race. Of course, the entering of a car in a race for any purpose other than to demonstrate its capabilities, thus aiding its ultimate sale, cannot be regarded as an exempt use.

E. H. Stetson

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